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SUBJECT: ISLAND POWER'S GAS SUPPLY CONTRACT CANCELLED;  
SINGAPORE PROJECT ON HOLD

REF: A. SINGAPORE 1669

[B](#). SINGAPORE 1167

[C](#). SINGAPORE 996

[D](#). SINGAPORE 1833

[1](#). (SBU) The Government of Indonesia on October 8 cancelled its gas supply contract with Island Power, a Singapore-based subsidiary of U.S. company Interger, according to an Island Power representative. The representative told us that that the decision was not entirely unexpected and that it effectively ended Island Power's plan to construct a power plant in Singapore (Ref A). The GOI cited Island Power's inability to gain access to a pipeline that would carry the gas from Indonesia to Singapore as the reason behind its decision. The GOI reportedly informed Island Power that it would not reenter negotiations until the company could guarantee pipeline access.

[2](#). (SBU) Island Power has waged a complicated, five year battle to gain access to the gas pipeline, which is owned by a Singapore government-linked company (Ref B). The USG raised the case during the FTA review in May and during AUSTR Doug Bell's visit in September (Refs C and D). A June amendment to Singapore's Gas Act that empowers the Energy Market Authority (EMA) to open pipeline access seemed to give Island Power new hope. However, a decision on the company's June application to EMA is still not in sight. Island Power now expects the EMA to void its application at any time due to the cancelled contract, according to the representative. With this in mind, his company has already drafted an appeal to the Minister for Trade and Industry.

[3](#). (SBU) Comment: Island Power is now caught in a catch-22 involving the GOI and EMA and seems ready to accept the loss of the US\$70 million it has invested in the project so far. Island Power acknowledges that EMA has followed the letter of the law in processing the first application under the newly amended Act. However, it appears EMA's cautious pace has doomed Island Power's ambitions to become the first non-government-linked player in Singapore's electricity market. If Island Power ultimately fails to gain pipeline access, it will raise questions about how seriously the GOS takes its stated commitment to liberalize its electricity market. End comment.

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